



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release
Thursday, March 27, 2003

Grassley Leads Effort to Stop Medicaid Cuts

WASHINGTON — Sen. Chuck Grassley is leading an effort to stop Congress from cutting spending on Medicaid in the budget blueprint for the next fiscal year.

The budget resolution passed yesterday by the Senate does not include any reduction in Medicaid funding. But the budget passed last week by the House of Representative includes \$92 billion in cuts over the next ten years. Negotiators from both legislative bodies will begin work today to reconcile differences in the budget proposals. Grassley is a senior member of the Senate Budget Committee and has been named to serve on this conference committee.

"States are facing the most severe fiscal crisis since World War II, and nearly every state has either proposed or enacted cuts to its Medicaid program," Grassley said. "Any reduction in federal funding would place millions of vulnerable Americans who rely on Medicaid in jeopardy of losing their health coverage altogether. Along with other states, Iowa faces reduction in services and provider reimbursement rates. That could include home-based programs that serve the elderly and others who need many more health care services than their lower incomes can afford."

In a letter sent today to the chairmen and ranking members of the Senate and House budget committees, Grassley and 78 other senators said that federal funding reductions would force states to implement even deeper cuts by restricting eligibility, eliminating or reducing critical health benefits, and severely cutting or freezing provider reimbursement rates. As a result, Medicaid funding cuts would add millions more to the 41 million Americans who already are uninsured.

Medicaid provides health coverage to 47 million low-income children, working families, seniors, and people with disabilities. Grassley said the safety-net program also contributes significantly to state economies by stimulating employment and business activity.

During debate this week on the budget for fiscal year 2004, senators voted 80 to 19 for a sense of the Senate resolution in support of giving fiscal relief to prevent states from cutting eligibility or further reducing payments to health care providers in Medicaid programs. Legislation to provide this assistance would be handled by the Senate Committee on Finance, where Grassley serves as

chairman.

Grassley is spearheading today's effort to send a message to Budget Committee leaders with Sen. Max Baucus, who serves as ranking member of the Senate Committee on Finance. Their initiative has been endorsed by Families USA, the Consortium for Citizens with Disabilities, the National Association of Public Hospitals and Health Systems, the National Association of Children's Hospitals, the Center for Medicare Advocacy, Inc., the National Citizens' Coalition for Nursing Home Reform, and the American Public Human Services Association.

The text of the Grassley-Baucus letter, as well as the letters of support from various organizations follows here.

March 25, 2003

Dear Senator Nickles, Senator Conrad, Rep. Nussle, Rep. Spratt:

Medicaid provides essential health coverage to 47 million low-income children, working families, seniors, and people with disabilities. This critical safety net program also contributes significantly to state economies by stimulating employment and business activity.

As you know, the House-passed budget resolution includes a reconciliation instruction requiring an estimated \$92 billion in cuts to Medicaid funding over ten years. Neither the Senate budget resolution nor the Administration budget includes any such cuts to Medicaid.

States are currently facing the most severe budget crisis since World War II and nearly every state has proposed or enacted cuts to its Medicaid program. Any reduction in federal Medicaid funding would place millions of vulnerable Americans now receiving Medicaid in jeopardy of losing their health coverage. Federal funding reductions would force states to implement even deeper cuts by restricting eligibility, eliminating or reducing critical health benefits, and severely cutting or freezing provider reimbursement rates. As a result, Medicaid funding cuts would add millions more to the ranks of the uninsured.

We the undersigned Senators are writing to express our strong opposition to the inclusion of any Medicaid cuts in the final budget resolution. Cutting federal Medicaid funding would add millions more to the growing ranks of 41 million uninsured Americans, even as Medicaid is most needed during an economic downturn.

The Senate has recently voted overwhelmingly to support state fiscal relief efforts to keep states from having to cut eligibility or further reduce provider payments under their Medicaid programs. The size and scope of any relief efforts will be considered by the Senate Finance Committee and the Senate as a whole.

We call on the FY 2004 Budget Resolution conferees to reject the inclusion of any Medicaid cuts as part of the final budget resolution.

Sincerely,

Charles E. Grassley
Chairman

Max Baucus
Ranking Member

AKAKA, Daniel K. (D-HI)
ALEXANDER, Lamar (R-TN)
ALLEN, George (R-VA)
BAYH, Evan (D-IN)
BENNETT, Robert F. (R-UT)
BIDEN, Jr., Joseph R. (D-DE)
BINGAMAN, Jeff (D-NM)
BOND, Christopher S. (R-MO)
BOXER, Barbara (D-CA)
BREAUX, John B. (D-LA)
BROWNBACK, Sam (R-KS)
BUNNING, Jim (R-KY)
BYRD, Robert C. (D-WV)
CAMPBELL, Ben Nighthorse (R-CO)
CANTWELL, Maria (D-WA)
CARPER, Thomas R. (D-DE)
CHAFEE, Lincoln D. (R-RI)
CHAMBLISS, Saxby (R-GA)
CLINTON, Hillary Rodham (D-NY)
COCHRAN, Thad (R-MS)
COLEMAN, Norm (R-MN)
COLLINS, Susan M. (R-ME)
CORZINE, Jon S. (D-NJ)
DASCHLE, Tom (D-SD)
DAYTON, Mark (D-MN)
DeWINE, Mike (R-OH)
DODD, Christopher J. (D-CT)
DOMENICI, Pete V. (R-NM)
DORGAN, Byron L. (D-ND)
DURBIN, Richard J. (D-IL)
EDWARDS, John (D-NC)
FEINGOLD, Russell D. (D-WI)

FEINSTEIN, Dianne (D-CA)
FITZGERALD, Peter G. (R-IL)
GRAHAM, Bob (D-FL)
GRAHAM, Lindsey O. (R-SC)
HAGEL, Chuck (R-NE)
HARKIN, Tom (D-IA)
HATCH, Orrin G. (R-UT)
HOLLINGS, Fritz (D-SC)
HUTCHISON, Kay Bailey (R-TX)
INHOFE, James M. (R-OK)
INOUE, Daniel K. (D-HI)
JEFFORDS, James M. (I-VT)
JOHNSON, Tim (D-SD)
KENNEDY, Edward M. (D-MA)
KERRY, John F. (D-MA)
KOHL, Herb (D-WI)
LANDRIEU, Mary L. (D-LA)
LAUTENBERG, Frank (D-NJ)
LEAHY, Patrick J. (D-VT)
LEVIN, Carl (D-MI)
LIEBERMAN, Joseph I. (D-CT)
LINCOLN, Blanche L. (D-AR)
LUGAR, Richard G. (R-IN)
McCAIN, John (R-AZ)
MIKULSKI, Barbara A. (D-MD)
MURKOWSKI, Lisa (R-AK)
MURRAY, Patty (D-WA)
NELSON, Bill (D-FL)
NELSON, E. Benjamin (D-NE)
PRYOR, Mark (D-AR)
REED, Jack (D-RI)
REID, Harry (D-NV)
ROBERTS, Pat (R-KS)
ROCKEFELLER IV, John D. (D-WV)
SARBANES, Paul S. (D-MD)
SCHUMER, Charles E. (D-NY)
SMITH, Gordon (R-OR)
SNOWE, Olympia J. (R-ME)
SPECTER, Arlen (R-PA)
STABENOW, Debbie (D-MI)
TALENT, James M. (R-MO)
THOMAS, Craig (R-WY)
VOINOVICH, George V. (R-OH)

WARNER, John W. (R-VA)
WYDEN, Ron (D-OR)

March 26, 2003

Dear Mr. Chairman:

We have read with great appreciation the letter you and Senator Baucus are circulating in the Senate in opposition to Medicaid cuts in the pending Budget Resolution.

We deeply thank you for this initiative.

Medicaid provides health insurance to America's most vulnerable seniors, children, working families, and people with disabilities. Seniors receive prescription drug coverage and long-term care services through Medicaid. Children obtain vital screening and prevention services under Medicaid. Medicaid also provides the crucial services such as personal care and therapy that people with disabilities need. Millions of these people are too ill or too frail to be able to thank you personally. But you should know that their families and all Americans who care deeply about the quality of our society and the health of our nation profoundly thank you for the effort you are making.

We know that in time we could obtain letters of thanks from hundreds of groups around the Nation representing the most vulnerable in our society, but because of the shortness of time, we are sending this Families USA letter today.

We wish you the best in this great effort.

Sincerely,

Ronald F. Pollack
Executive Director
Families USA

March 26, 2003

Dear Senator Grassley,

The undersigned organizations, which work with and on behalf of children and adults with disabilities and their families, would like to express our sincere gratitude for your advocacy on behalf of the Medicaid program. The letter that you and Senator Baucus authored and sent to the leadership of

the House and Senate Budget Committees opposing the inclusion of Medicaid cuts in the final Budget Resolution is an important demonstration of your commitment to people with disabilities.

Medicaid serves nearly 11 million people with disabilities, of whom seven million are under the age of 65. The program is the primary public source of funding for long-term services and supports for people with disabilities of all ages.

It is the largest funder of state and local spending on mental health, mental retardation, and developmental disabilities services in the country. For people with epilepsy, mental illness, HIV, and a variety of other conditions, Medicaid is very often the only source of access to essential prescription drug coverage.

For people with a variety of physical disabilities, such as spinal cord injuries, traumatic brain injuries, cerebral palsy, or amputations, Medicaid usually is the only way they can get access to durable medical equipment like wheelchairs or prosthetic devices, as well as assistive technology.

For many people with physical, mental, cognitive, and sensory disabilities, Medicaid generally is the only source of funds for them to live and work in the community with friends and families and avoid more costly and segregated nursing homes or institutions.

For children with all types of disabilities, the services provided by Medicaid's Early and Periodic Screening, Diagnosis and Treatment (EPSDT) benefit often enables them to avoid additional disabilities; continue to live at home with their families; make it through school; and become independent productive members of society.

The estimated \$93 billion in Medicaid cuts in the House Budget Resolution would have a serious and negative impact on people with disabilities. Coupled with the Medicaid budget deficits all states are currently facing, the impact on children and adults with disabilities and their families would be devastating. States would have no choice, but to cut services that are literally a lifeline for people with disabilities and their families:

Your current efforts to protect Medicaid are just the latest actions in a long history of supporting the disability community. We truly value the long-term partnership that we have formed with you and your staff. When the Balanced Budget Act of 1997 was enacted, your leadership helped to ensure that meaningful new managed care protections were included in this legislation and ensured that the Clinton Administration undertook a comprehensive review of consumer protections needed in Medicaid managed care programs for people with special health care needs.

Your leadership in protecting children with disabilities and their families has been singularly important. The bi-partisan effort to enact the Family Opportunity Act – which is just that – an opportunity for families to get their children with disabilities the health care services and supports they need would not be a viable legislative proposal or have the strong bipartisan support it does if it were not for your sustained commitment to the issue. You know that Medicaid beneficiaries, including individuals with disabilities, should play a role in the future of Medicaid in their states and

you have proposed legislation that would provide them with an increased role in the development of waivers. Finally, you recognize the critically important role that the Medicaid Early and Periodic Screening, Diagnosis, and Treatment program plays for children – especially children with disabilities – and have proposed legislation that would not permit states to waive this critical program.

We want to thank you for your ongoing advocacy and we look forward to working with you and your staff to make the Medicaid program work better for children and adults with disabilities and their families.

Sincerely,

Academy of Academic Physiatrists
Adapted Physical Activity Council
Advancing Independence: Modernizing Medicare and Medicaid
American Academy of Child and Adolescent Psychiatry
American Council of the Blind
American Foundation for the Blind
American Association on Health and Disability
American Association on Mental Retardation
American Association of People with Disabilities
American Congress of Community Supports and Employment Services
American Medical Rehabilitation Providers Association
American Music Therapy Association
American Network of Community Options and Resources
American Occupational Therapy Association
American Psychological Association
Association for Persons in Supported Employment
Association of Maternal and Child Health Programs
Association of University Centers on Disabilities
Bazelon Center for Mental Health Law
Brain Injury Association of America
Center on Disability and Health
Conference of Educational Administrators of Schools and Programs for the Deaf
Consortium of Developmental Disabilities Councils
Council for Exceptional Children
Disability Service Providers of America
Easter Seals
Epilepsy Foundation
Family Voices
Federation of Families for Children's Mental Health
Helen Keller National Center
International Association of Psychosocial Rehabilitation Services
National Alliance for the Mentally Ill

National Association for the Advancement of Orthotics and Prosthetics
National Association of County Behavioral Health Directors
National Association of Developmental Disabilities Councils
National Association of Mental Health Planning and Advisory Councils
National Association of Protection and Advocacy Systems
National Association of School Nurses
National Association of School Psychologists
National Association of Social Workers
National Association of State Directors of Special Education
National Coalition on Deaf-Blindness
National Council for Community Behavioral Healthcare
National Down Syndrome Congress
National Mental Health Association
National Multiple Sclerosis Society
National Organization of Social Security Claimants' Representatives
National Organization on Disability
Rehabilitation Engineering and Assistive Technology Society of North America
Research Institute for Independent Living
Spina Bifida Association of America
The Arc of the United States
Title II Community AIDS National Network
United Cerebral Palsy

March 26, 2003

Dear Chairman Grassley and Ranking Member Baucus:

I am writing on behalf of the National Association of Public Hospitals and Health Systems (NAPH) to thank you for your current efforts to avert Medicaid cuts in the fiscal year 2004 budget resolution. One-third of the patients at NAPH member systems are covered by Medicaid, and another 28 percent are uninsured. Medicaid revenues help NAPH members provide health care to both of these categories, providing approximately 40 percent of NAPH member revenues. The \$93 billion in Medicaid cuts contained in the House budget resolution would likely devastate our members' ability to provide access to the extremely vulnerable patients they serve.

Your leadership in coordinating a letter to the Chairmen and Ranking Members of the Budget Committees in both houses is greatly appreciated. We are in full agreement with the statements in that letter regarding the severe threat that the cuts contained in the House-passed budget resolution would pose to the Medicaid population. It is imperative that the conference committee eliminates those cuts.

Once again, we deeply appreciate your efforts to support the Medicaid program. We look forward to continuing to work with you on this issue and other issues of importance to our health care safety net.

Sincerely,

Larry S. Gage
President
National Association of Public Hospitals and Health Systems

March 26, 2003

Dear Chairman Grassley:

On behalf of the National Association of Children's Hospitals and our more than 120 member hospitals, I would like to thank you for your outstanding commitment to protecting Medicaid funding in the Fiscal Year 2004 Budget Resolution. We greatly appreciate the bipartisan letter you and Senator Baucus initiated, urging budget conferees to reject the Medicaid cuts contained in the House-passed budget resolution and applaud your leadership in protecting this vital program.

Protecting the fiscal integrity of the Medicaid program is a topic of special concern to the nation's children's hospitals because of the 44.3 million Medicaid beneficiaries in FY 2000, more than half – 22.7 million were children under age 19. In fact, Medicaid is the nation's single largest health care program for children, financing health care for one in four children. One in three children depends on Medicaid or SCHIP for health coverage.

Medicaid also is the single largest payer of care delivered by children's hospitals. Although only 3% of all hospitals, children's hospitals on average devote more than 40% of their inpatient care to children assisted by Medicaid – for some hospitals it's as high as 70%. Children's hospitals also provide the majority of inpatient care required by children with serious illnesses and conditions, regardless of their source of health coverage. In some regions, they are the *only* source of pediatric specialty care, which makes children's hospitals essential not only to the children in their own communities but to all children across the country.

However, Medicaid generally falls far short of reimbursing children's hospitals for the cost of providing these essential services, so Medicaid Disproportionate Share Hospital (DSH) payments, which average more than \$6 million per children's hospital, are extremely important to the financial health of these institutions. In hospital FY 2001, Medicaid, including DSH payments, on average reimbursed only 84% of the cost of care in children's hospitals, a percentage that fell to 76% without DSH payments. This crucial source of funding for children's hospitals aids in their ability to serve

all children.

All children benefit from the work carried out at children's hospitals – regardless of whether they ever step foot inside their doors. The nation's children's hospitals serve all children by fulfilling a variety of critical public needs – training most of our nation's doctors devoted to children, providing continuing advancements in children's care, performing some of the most important, cutting-edge pediatric research and serving as centers of excellence for the sickest children in the country.

The specialty and critical care services the children's hospitals maintain carry costs that are not completely covered. But this “stand by” capacity assures that these services will be there when any child needs them. Because Medicaid is a vital revenue stream for children's hospitals, any single reduction in funding presents financial difficulties, which in turn can lead to curtailing or elimination of programs – programs relied upon not only by Medicaid-dependent children but by all children.

As states look to implement reductions in Medicaid funding to balance their budgets, and \$10 billion worth of statutory DSH cuts are implemented over the next 10 years, the last thing children and children's hospitals need right now are more cuts in Medicaid funding at the federal level. Thank you again for your outstanding leadership and commitment to protecting a program relied upon by so many of our nation's children.

Sincerely,

Lawrence A. McAndrews, FACHE
President & Chief Executive Officer
National Association of Children's Hospitals

cc: Stephen R. Stephenson, MD, Executive Vice President & Medical Director, Blank Children's Hospital, Des Moines

Amy O'Deen, Senior Assistant Director and Administrator, Children's Hospital of Iowa at the University of Iowa Hospitals and Clinics, Iowa City